

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 FRB-02

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R 080635Z APR 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1449

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY JIDDA

AMEMBASSY MUSCAT

AMEMBASSY DOHA

USDOC WASHDC

C O N F I D E N T I A L ABU DHABI 0410

DEPT PASS TREASURY

EO 11652: GDS

TAGS: EFIN, BEXP, TC

SUBJECT: UAE FEDERAL BUDGET FOR CALENDAR 1974

SUMMARY: ECON OFFICER MET APRIL 7 WITH SADEK WISSA, DIRECTOR OF FINANCE UAE MINISTRY OF FINANCE AND INDUSTRY, TO DISCUSS THE FORTH-COMING FEDERAL BUDGET FOR 1974. TOTAL BUDGET IS EXPECTED TO BE ABOUT DOLS 215 MILLION, OF WHICH ONLY MINUTE AMOUNT WILL BE ALL-OCATED FOR NEW PROJECTS SINCE UAEG IS ATTEMPTING CONSOLIDATE PRO-JECTS ALREADY UNDER WAY. FAILURE OF DUBAI TO PARTICIPATE IN FIND-ING FEDERAL BUDGET CONTINUES TO BE AWKWARD PROBLEM FOR MINY AND UAEG AS WHOLE. FINALLY, UAEG AT PRESENT HAS NO RPT NO FUNDS AVAILABLE FOR INVESTMENT BUT HOPES BEGIN ACCUMULATING RESERVES WITHIN COMING YEAR AND WILL THEREAFTER BE VERY INTERESTED IN SOUND INVESTMENT OPPORTUNITIES. END SUMMARY.

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1. WISSA SAID BUDGET RECEIVED CABINET APPROVAL EARLY APRIL AND SHOULD BE PUBLISHED IN NEAR FUTURE. TOTAL BUDGET IS DIRHAMS 860 MILLION (APPROX. DOLS 215 MILLION).

2. DEVELOPMENT PORTION OF BUDGET THIS YEAR WILL BE RELATIVELY SMALL. WISSA DEXCRIBES 1974 AS YEAR OF CONSOLIDATION AND SAYS MANY PROJECTS LEFT OVER FROM 1973 BUDGET WILL BE COMPLETED. WHILE ABILITY OF FEDERAL MINISTRIES TO SPEND APPROPRIATED SUMS STILL WEAK, IN 1973 ABOUT 50 RPT 50 PERCENT OF AUTHORIZED PROJECTS WERE CARRIED OUT WHICH INDICATES VAST IMPROVEMENT OVER 15 RPT 15 PERCENT RECORD IN 1972, THE FIRST YEAR OF UAE INDEPENDENCE.

3. FOR 1974, NEW DEVELOPMENT ACTIVITIES WILL FOCUS ON PREPARATION OF FEASIBILITY STUDIES, ETC. TO PERMIT PLANNING FOR NEW PROJECTS TO BE BEGUN UNDER 1975 BUDGET. TOTAL OF DIRHAMS 68 MILLION (APPROX. DOLS 17 MILLION) WILL BE AVAILABLE FOR NEW PROJECTS BUT MOST OF THIS SUM IN FACT ALREADY COMMITTED. ONLY ABOUT DIRHAMS 20 MILLION (APPROX. DOLS 5 MILLION) ARE ALLOTTED FOR ENTIRELY NEW DEVELOPMENT WORK AND WISSA SAID HE HAD RECOMMENDED THAT IT BE EXPENDED PRIMARILY FOR FEASIBILITY AND OTHER PRELIMINARY STUDIES. MAJOR EMPHASIS IS EXPECTED TO BE ON EXTENSION OF THE UAE ROAD NETWORK AND STUDIES RELATING TO THE INTEGRATION OF THE VARIOUS POWER DISTRIBUTION NETWORKS THROUGHOUT THE COUNTRY. WISSA PROMISED DETAILED BREAKDOWN OF BUDGET IN NEXT SEVERAL DAYS.

4. REGARDING REVENUES, UAEG IS COUNTING ONLY ON ABU DHABI THIS YEAR. NO RPT NO FIGURE FOR DUBAI'S CONTRIBUTION IS ASSUMED IN BUDGETARY PLANNING AND, OF COURSE, LITTLE OR NO CONTRIBUTION IS EXPECTED FROM OTHER EMIRATES. WOULD ASSUME, HOWEVER, THAT SHARJAH WILL BE EXPECTED IN COMING YEARS TO MAKE SOME PAYMENT AS OIL REVENUE INCREASES. DUBAI PROBLEM IS ACUTE ONE FOR MINISTRY, THE MORE SO AS SON OF DUBAI RULER IS MINISTER OF FINANCE AND INDUSTRY. DUBAI DID NOT RPT NOT MAKE CONTRIBUTION IN 1972 AND, ALTHOUGH COUNTED ON IN 1973 FOR DIRHAMS 60 MILLION (APPROX. DOLS 15 MILLION), IT DID NOT ANTE UP DURING THAT YEAR EITHER. WISSA SAID IT IS STILL HOPED THAT DUBAI WILL MAKE VOLUNTARY CONTRIBUTION TO 1974 BUDGET, WHICH WILL PERMIT THE DEVELOPMENT PORTION OF THE BUDGET TO BE INCREASED BY AN EQUAL AMOUNT. APPARENTLY, MINFIN PRESSING SHARJAH FOR CONTRIBUTION THIS YEAR ON BASIS ERRONEOUS INFO ABOUT EMIRATE'S EXPECTED INCOME FOR 1974. IN RECENT DIS-CONFIDENTIAL

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CUSSION WITH EMB OFF, MIN STATE FOR FINANCE HABBROUSH QUOTED REVENUE FIGURE FOR SHARJAH THAT SEEMS TO US AT LEAST THREE TIMES TOO LARGE. BELIEVE HABBROUSH AND OTHER FEDERAL MINISTERS MAY BE INSISTING ON CONTRIBUTION FROM SHARJAH IN ORDER TO INCREASE PRE-SURE ON DUBAI TO ANTE UP. HABBROUSH FORCED ADMIT, HOWEVER, THAT SHARJAH REALLY SHOULD HAVE YEAR'S GRACE BEFORE BEING EXPECTED CONTRIBUTE TO FEDERAL BUDGET.

5. THE FEDERAL GOVERNMENT AT PRESENT HAS NO RESERVES AT ALL. WISSA SAID THAT FOR A BRIEF PERIOD LAST YEAR HE HAD A SMALL AMOUNT FOR THIS PURPOSE BUT THAT THIS MONEY HAD BEEN COMMITTED TO THE 1974 BUDGET. BY 1975, THE UAEG PLANS TO HAVE A SMALL RESERVE WHICH WILL THEREAFTER GROW LARGER. HE SAID A COMMITTEE IS NOW MEETING TO WORK OUT THE BROAD OUTLINES OF A UAE INVESTMENT POLICY. HE PROMISED TO MEET ONCE AGAIN IN THE NEAR FUTURE TO DISCUSS THIS SUBJECT WITH ECON OFFICER.
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